

**TESTIMONY PRESENTED TO THE FINANCE, REVENUE AND BONDING
COMMITTEE**

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Testimony Supporting Senate Bill No. 933

AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE.

Senator Daily, Representative Staples and distinguished members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to offer testimony on Senate Bill No. 933, An Act Concerning The Governor's Recommendations On Revenue.

This bill will take action to help improve the revenues of the state during a difficult time without making any permanent increases in the tax burden to the state's residents.

This bill will suspend the sales tax free week in August of 2009 and 2010. The first sales tax free week occurred in August of 2000. It occurs during the 3rd week in August and is for clothing and footwear items costing less than \$300.

This bill will also suspend for two years the historic structures tax credits, saving \$10.0 million in FY2010 and another \$10.0 million again in FY2011.

When the income tax was enacted the exemption for single filers (\$12,000) was exactly half that of joint filers (\$24,000). The 1999 legislative session enacted an 8 year phase in of an increase in the exemption to \$15,000. Delays in the phase-in were enacted during the 2002, 2003 and the 2005 legislative sessions. As of January 1, 2008, the exemption level for singles was \$13,000. This is not a tax increase. The Governor is proposing to delay a tax cut until a time when the state's finances recover. The Governor's proposal would freeze the exemption level at that amount for income years 2009, 2010, and 2011. In income year 2012 the exemption level will rise to \$13,500 as previously scheduled. It is estimated to impact approximately 115,000 single filers.

This bill will cap the film industry production tax credit at \$30.0 million each year, and lower the star salary cap from \$15.0 million to \$5.0 million. The current film industry production tax credit is structured as follows:

1. Minimum expenditure: \$50,000
2. Star Cap- \$15 million

3. Credit Percentage: 30% of Qualified Expenditures
4. Applicable against the Corporation and Insurance Tax
5. It is transferable but not refundable.

As of January 15, 2009, \$102.8 million in credits have been issued since the program began in 2006 for a total of 45 productions for an average credit certificate value of \$2.28 million. The value of the film tax credits that have been pre-approved but not yet issued is \$114.3 million as of January 15, 2009. Capping the film tax credit at \$30 million per year is expected to save the state \$25.0 million annually. No changes are being proposed to the digital animation tax credit or the film industry infrastructure tax credit

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request the Committee support this bill and I will be happy to answer any questions you may have.